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ABSTRACT

This module on owning and operating a hair styling shop is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are planning your business (services and hair care products; importance of personal qualities; competing successfully); choosing a location (what to consider); getting money to start (choosing a money source; statement of financial need; business description); being in charge (listing tasks; dividing the work; contracting for services; hiring strategy; training employees); organizing the work (work schedule; record of special services); setting prices (cost of supplies; operating expenses; profit; demand; competition); advertising and selling (how to spread the word; why advertise every month; how to sell); keeping financial records (the sales slip; daily cash sheet); and keeping your business successful (profit/loss statement; profit and expense ratios; keeping profits high; to grow or not to grow). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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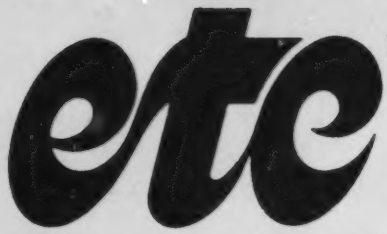

Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Hair Styling Shop

Module 30

CE031088

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GETTING DOWN TO BUSINESS:

Hair Styling Shop

Joyce P. Gall

May 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own hair styling shop?

This module describes people who have started and managed hair styling shops. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning a hair styling shop
- choosing a location
- getting money to start
- being in charge
- organizing the work
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that owners of a hair styling shop do.

Then you will have a better idea of whether a career as this kind of a business owner is for you.

Before you read this module, you might want to study Module 1: Getting Down to Business: What's It All About?

When you finish this module, you might want to read Module 16: Getting Down to Business: Health Spa.

This module describes a related business in the health area.

UNIT 1

Planning a Hair Styling Shop

Goal: To help you plan your hair styling shop.

Objective 1: Describe the services, customers, and competition of a hair styling shop.

Objective 2: List three personal qualities the owner of a hair styling business might have.

Objective 3: List two ways to help your business "stand out" from its competition.

Objective 4: List two special legal requirements for running a hair styling shop.

THE CASE OF DINAH SIMMONS

Dinah Simmons was always hard working and energetic. When her second child was three, Dinah took stock of herself. She had done well in high school, taking many secretarial and business courses. However, she did not want to do clerical work. Dinah had always been good at styling her own hair. She also had done her husband's and some of her friends' hair. She decided to enter cosmetology school.

In less than two years Dinah had obtained a cosmetologist's license. She worked for a nearby beauty shop while awaiting her third son's birth. She went back to work when he was a few months old. But the desire to be her own boss had been building in Dinah. She now felt ready to go into business for herself. Dinah set very clear goals for the kind of cosmetology business she wanted. "Maybe I won't get exactly what I want right away," she thought. "But if I know what I do want, I'll get it sooner!"

Dinah decided she would offer only hair care services: shampoos and conditioning, cutting, permanents, hairsets, and coloring. She had been trained to give manicures and facial treatments. But she regarded these as "frills." She'd prefer to concentrate on creating better hair styles for her customers. Dinah hoped to attract mainly professional women and wives of professionals. She thought that such people would become regular customers. They, in turn, would recommend her to their friends. Also, Dinah did not want to deal with very long hair or unusual styles that were most often wanted by younger customers.

Dinah felt that she could get an "edge" on the competition. She would do an extra good job of helping new customers consider a range of hair designs/styles and pointing out the best choices for them. She also decided to learn about other local businesses offering beauty or health services. Then she could tell her customers where to get services she did not offer.

Planning a Hair Styling Shop

Dinah's hair styling shop will be a small business. She will own the shop and make all the decisions. She will start with a small amount of money. She will work on her own, with no employees, and in one location. Like most small business owners, Dinah will need:

- drive and energy;
- problem solving ability; and
- ability to work well with people.

Dinah has decided on the basic services and hair care products she wants to offer. She seems to have helpful personal qualities for running a hair styling business. She has thought about how she can compete with other beauty salons. She has learned about legal requirements for running her business. The next few pages tell you more about these things.

Services and Hair Care Products

The basic service Dinah plans to offer is hair care. This includes shampooing, cutting, waving, styling, and coloring. She may also decide to sell hair care products such as shampoo and conditioner to her customers.

Dinah could have decided to offer manicures and facial treatments. She might consider "specialty" services like "perm-lashes," hair weaving, hair straightening, or care of very long hair. She could offer not only shampoos and conditioners but also combs, brushes, hair jewelry, nets, curlers, and sprays.

Advantages to Dinah's offering manicures and facials are that:

- she might attract customers who at first wanted only manicures but then would have Dinah style their hair;
- she may be able to make more money in the same amount of time--for example, by filing and coloring a customer's nails while the customer's hair is drying; and
- she would increase her appeal to customers who want these other services in addition to hair care.

Possible disadvantages to Dinah's offering manicures and facials are that:

- it may take longer to build up her skills in hair styling if Dinah "spreads herself out" to do facials and manicures;
- Dinah may need more room if she stocks nail and facial treatment supplies as well as hair care supplies--this could mean paying a higher rent for her salon; and
- if Dinah hires someone to do the facials and manicures, she will have to supervise another employee.

These are benefits to selling hair care products like shampoos and conditioners.

- Dinah may recommend a particular product to customers to improve the health of their hair. They are more likely to use the product if Dinah can sell it to them.
- If there is a good turnover on these products, selling them will increase her business' profit margin.
- Customers will be grateful for Dinah's making it easy to buy good hair care products.

These are possible problems or risks to selling shampoo and conditioners.

- Selling these products will require more of Dinah's time in monitoring supplies, pricing, financial records, and cash flow.
- Dinah may need more storage room, which could raise her rent.
- If these products don't sell, Dinah may be stuck with a large inventory she will have to unload at a loss.

Dinah might want to attract the university students in her town. She could offer services like unisex (both men and women) hair styling, care of very long hair, or other specialty services that appeal to young or minority customers.

The Importance of Personal Qualities

Dinah Simmons has some personal qualities that will be very important in making her small business a success. The case study shows she is:

- hard working and energetic;
- eager for the challenge of being her own boss;
- able to complete her cosmetology training and license requirements quickly;
- good at styling hair; and
- able to think clearly about setting goals.

Dinah may find that some of her personal qualities, however, rub other people the wrong way. For example, she may need to work harder at being:

- able to get along well with customers and employees; and
- flexible and willing to try new things.

Competing Successfully

Dinah has thought carefully about how to be competitive.

- She has gotten a good deal of hair care training and experience.
- She plans to advise each customer carefully about choices in hair styles and what is best for that person.
- She will make a special effort to attract people who can afford regular hair care. She hopes they will recommend her to their friends.

What else might Dinah do to increase her chances of success against the competition? She can try to get the only local franchise to sell a particular line of hair care products. Dinah might want to offer evening appointments or rescheduling on short notice to meet the needs of her most loyal customers. Finally, Dinah must consider the business image she wants to project. She will probably want to emphasize her professional skill and knowledge. Other cosmetologists might be more concerned with convincing the public of their own fashion flair. Or they might stress their ability to offer the very "latest" designs and techniques in hair care.

Legal Requirements

To run her own hair styling shop, Dinah must meet two types of legal requirements. She must have a license to give cosmetology service to customers. The license means she has gone through an approved beauty school program and passed the state licensing exam. She may also have to meet state or local requirements for running certain types of businesses. In most states, a cosmetologist needs one year of experience before opening or managing a beauty salon. The bureau of licenses in your state and city can tell you about requirements in your area.

Summary

Beauty salons provide hair care and other services. The owner must decide what services to offer and how to attract and keep customers. It helps if a hair styling shop owner has energy and drive, gets along well with people, and is clever at solving problems.

Learning Activities

Individual Activities

1. a. Write down the services you think you would definitely offer if you were to become the owner of a hair styling shop.

   b. Write down other services you would consider offering. What might make you decide whether to offer each one?

2. In the following list of personal qualities, mark with a star (*) those you think are most important for a hair styling shop owner. Mark with a zero (0) those you think are most important for a successful cosmetologist not to have. Explain each choice.

_____	Communicates well	_____	Likes to gossip
_____	Energetic	_____	Likes to work alone
_____	Good at saving money	_____	Overweight
_____	Has a sense of style	_____	Prefers outdoor work
_____	Has good eyesight	_____	Thin
_____	Has skin allergies	_____	Very tall
_____	Has very large hands	_____	Well groomed

3. What is the "total market," that is, all the possible customers, for a hair styling shop? Write down the services a cosmetologist might provide for customers who differ in:
   - age;
   - sex;
   - ethnic background; and
   - occupation (professional, white collar, blue collar, etc.).

4. If you began your own hair styling shop, what are some ways that you could help yourself compete successfully? Write down at least one thing you could do to:
   a. offer a unique product or service;
   b. offer a special support service; or
   c. create a special image for your business.

Discussion Questions

1. Some people feel that cosmetologists should pay most attention to health. They should help their customers have healthier hair and skin. Others think cosmetologists should emphasize beauty. They should make their clients more physically attractive. Team up with a partner. Each of you should take a different side on this issue. Argue for your side.

2. Many personal qualities might be good for a hair styling shop owner to have. Discuss why each of these could be important.
   - good physical health;
   - attractive but low-key personal appearance (no flashy jewelry, strong perfumes, or "far out" hairstyles); and
   - liking to be comfortable and being able to relax quickly.

3. Mr. and Mrs. Nathan recently moved to Eugene, Oregon. A friend recommended Dinah Simmons to Mrs. Nathan when her hair needed a trim. She was very pleased with the result. When she noticed that her husband needed a haircut, she suggested he call Dinah. Mr. Nathan said, "I'd prefer to go to a barber." Discuss the reasons why Mr. Nathan might prefer a barber. Which of these reasons do you agree with or disagree with? Why?

4. In most states, a person seeking a cosmetologist's license must:
   a. be at least 16 years of age;
   b. have completed the 10th grade;
   c. pass a physical examination;
   d. have graduated from a state-approved cosmetology school; and
   e. pass a written and practical state licensing examination.

   Discuss possible reasons for each of these requirements.

Group Activity

Select two local hair styling shops. Ask parents and friends or check the Yellow Pages under "Beauty Salons." Pick businesses that differ in type of customer. Call the manager of each business and ask whether he or she is willing to come to your classroom for a half-hour interview. (Explain what the class is about.) Set up a time for the interview. Be sure to get the owner's name. Write out the questions students will ask in the interview.

- Ask questions to give you information about the services, customers, and competition of each business.
- Ask about the personal qualities that the owner or manager feels are important.
- Use questions to find out what the person is like. Also note your own impressions.
- Ask what this business does to stay ahead of its competition.

Following the interview, spend 10-15 minutes discussing how these businesses are alike or different in the things asked about.

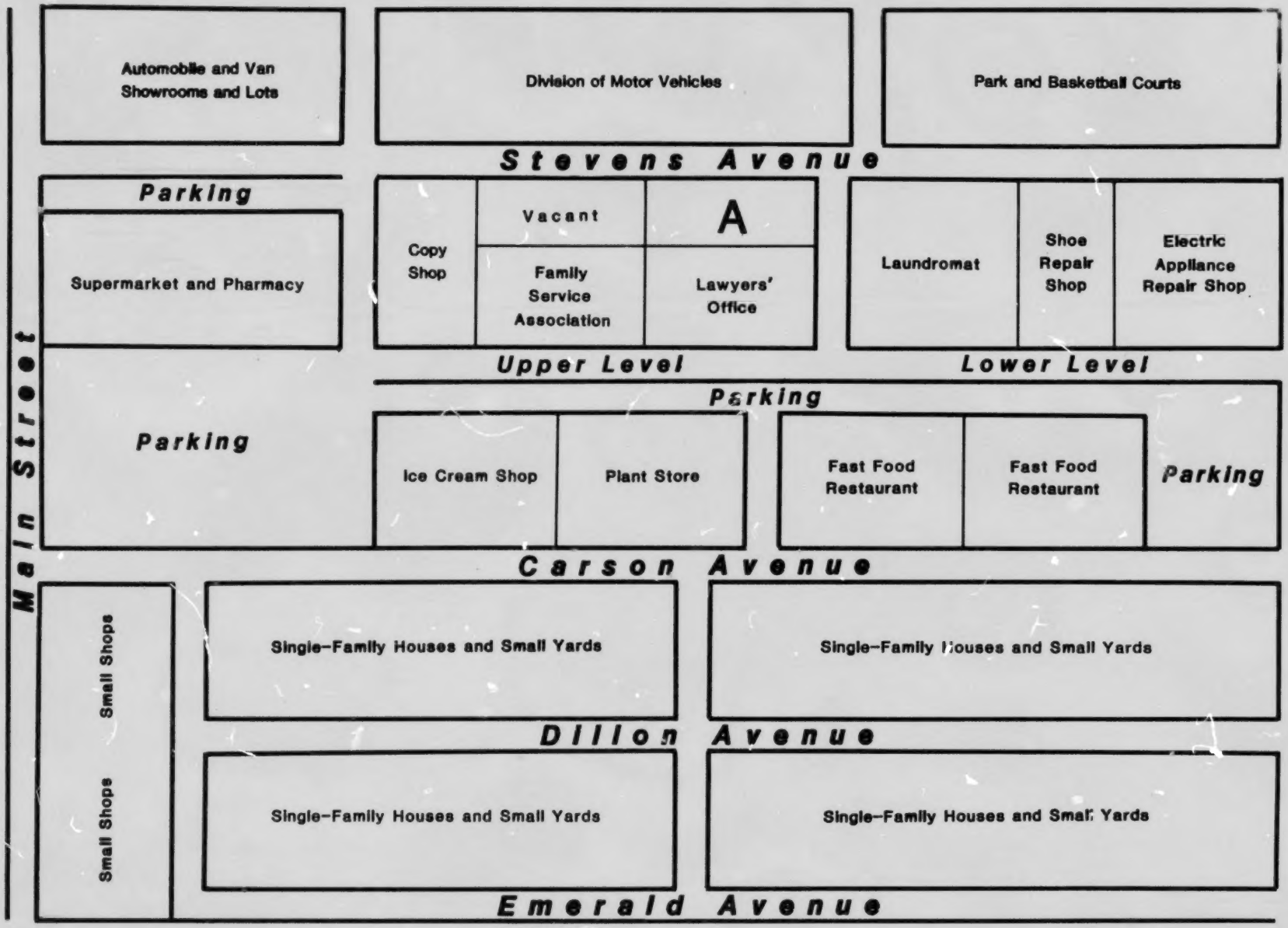
UNIT 2

Choosing a Location

Goal: To help you choose a location for your hair styling shop.

Objective 1: List three things to think about in deciding where to locate your business.

Objective 2: Pick the best location for a hair styling shop from three choices and explain your choice.


Automobile and Van Showrooms and Lots
Division of Motor Vehicles
Park and Basketball Courts
Stevens Avenue
Parking
Supermarket and Pharmacy
Copy Shop
Vacant
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Family Service Association
Lawyers' Office
Laundromat
Shoe Repair Shop
Electric Appliance Repair Shop
Upper Level
Lower Level
Main Street
Parking
Parking
Ice Cream Shop
Plant Store
Fast Food Restaurant
Fast Food Restaurant
Parking
Carson Avenue
Small Shops
Small Shops
Single-Family Houses and Small Yards
Single-Family Houses and Small Yards
Dillon Avenue
Single-Family Houses and Small Yards
Single-Family Houses and Small Yards
Emerald Avenue

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DINAH SIMMONS' BUSINESS LOCATION

For months, Dinah Simmons had been scouting around her community, Naperville. She was looking for a good location for a beauty salon. Naperville is a city of about 100,000 population. Dinah felt she could locate her salon anywhere in the downtown or outlying business areas. That way she could still drive to work in 15 minutes or less. She preferred the south side of town because bus service was better. Also, more businesses were located in that area.

Dinah knew that there were at least four types of beauty salons in Naperville. There were salons in the two largest hotels in town. There were also many neighborhood salons. These included a few located in owners' own homes. Dinah preferred a neighborhood salon in a business location. She wanted to get the salon space on a long-term lease.

Dinah checked the papers every week for business sites that were available for rent or lease. Whenever she found one that sounded good, she drove through the neighborhood. First she called. Then she went to see the building sites that seemed to be in neighborhoods that were busy and had good parking.

Dinah finally chose the location marked "A" on the map on the opposite page. It had 200 square feet of space--enough for a waiting room, two operator spaces, two sinks, two or three hairdryers, and storage space for supplies. A bathroom and a small room for an office were attached. The plumbing seemed okay, and there were plenty of electrical outlets. There was a view of the park, and the windows could be opened in warm weather. The lease payment seemed a bit high for a non-downtown location. But Dinah liked the extra space, and there was lots of free parking nearby. She was able to get a long-term lease.

Dinah was very excited. She told her husband why this location was good: "It's easy to see and get to. It gives me the space I need at a reasonable price. And it will attract enough of the kind of customers I want!"

Choosing a Location

What to Consider

Dinah did some good thinking before she chose the location for her hair styling shop. She paid attention to important questions regarding a good business location.

Is it in a good area? Naperville has a big enough population to provide customers for her beauty salon.

Is it an appropriate business location? It is a busy part of town. It is near other businesses but not very close to competing beauty salons. There is probably a lot of car traffic and some foot traffic. Plenty of parking is available.

Is it an appropriate building site? The building site has adequate plumbing, electricity, and ventilation. All these things are very important for a beauty salon. The space is shaped like a rectangle, which will make it easy to plan and design the salon. There is enough space for equipment and storage, and space for a waiting room. This extra space will allow for growth later on if Dinah's business does well. Customers (and Dinah) will be happy to have a restroom close by. And the office space will make it possible for Dinah to keep forms and records handy and neat.

Are there any other things that Dinah should have done before she chose this location? Remember, she took a driving tour of the neighborhood. She also inspected the building.

However, Dinah did not do the following things.

She did not take a walking tour of the neighborhood. This would have given her a better sense of traffic patterns. It also would have shown her the number and type of people walking through the neighborhood and how good business was in nearby shops.

She did not go to the City Planning Office. This is a way to find out about zoning restrictions for homes and businesses in the neighborhood. The Office also has plans for building in the area.

She did not visit with former tenants or neighbors. Dinah might have talked to the last person in her business site or with neighbors or other tenants. Then she could have learned more about:

- whether the construction is okay, and whether the heating, plumbing, and electricity are in good working order;
- the owner of the building; and
- other tenants (what the other tenants who lease in this building are like, why the space next door is vacant, etc.).

She did not make follow-up visits to the location. The reason for this would be to get a better idea of the neighborhood and to recheck the building site.

Dinah's business site has many good points. For example, it has a long-term lease. Also, it is not located in her home. A long-term lease means that the owner cannot require Dinah to move on short notice. Nor can the owner raise the rent before the lease is up. Being in a business location means that Dinah's salon will be convenient for most customers. It will also be noticed by people doing business nearby. Since she is not at home, she will not be distracted by her children or other home concerns.

There are some possible problems in Dinah's business location, however. Remember, Dinah's goal is to attract professional, well-to-do customers. What features of the beauty salon's neighborhood might

bother this type of customer? Also, is anything missing in Dinah's location?

Professional, high-income customers might prefer a beauty salon downtown near major financial institutions and fine shops and restaurants. Dinah may need to work harder to attract them to her neighborhood location.

The income level of the neighborhood is probably moderate. So Dinah will have to keep her prices down. Otherwise, she won't attract nearby customers.

Having a car lot and motor vehicles division office across the street is not ideal. Many of their customers may not be in the market for Dinah's services.

Like most locations, then, Dinah's beauty salon has a few drawbacks along with its good points. No successful owner of a small business can afford to wait for a perfect location, of course. Dinah chose the location from those available that best met the needs of her planned hair styling shop. So she is off to a good start.

Summary

Choosing a location is important. First, you have to pick a general area with enough customers. To be sure you do that, you have to get as much information as you can. Second, you have to pick a good spot for your salon. Now you know some things to think about in picking a location.

Learning Activities

Individual Activities

1. Below is a list of information you'll need to pick a site for your hair styling shop. Match each type of information needed with the best way of getting that information.

Ways of Getting Information	Information Needed
a. Personally inspect the site	___ Whether urban renewal is planned for the area
b. Walking tour of the neighborhood	___ Times of day when auto traffic is heaviest
c. Visit to the City Planning Office	___ Whether the plumbing is in good shape
d. Talk with neighboring business owners	___ Cost and availability of nearby parking
e. Make follow-up visits to the site	___ How strict the landlord is about receiving the rent on time

2. What are some possible advantages and disadvantages of locating a hair styling shop in a hotel?

3. Which of these would you want to be as high as possible for your beauty salon's site? Mark them with an H, and explain your choices. Which of these would you want to be as low as possible? Mark them with an L, and explain your choices.

____ Cost to lease or buy the site

____ Available parking spaces

____ Number of similar businesses in the area

____ Number of former tenants in that site

____ Bus routes through the area

____ Number of people passing by daily

Discussion Questions

1. You just met the former tenant of your beauty salon's new business site. He also ran a beauty salon, and tells you some things about the site. Which of these things would make you feel the need to do something to help your own business? What would you do in each case?
   a. He closed the shop to retire.
   b. His amount of business had dropped during the last year after another beauty shop opened on the same street.
   c. He thinks that more free parking space in the area would have helped his business.
   d. Repairs and maintenance were always done quickly and well by the owner.

2. Team up with a classmate. Imagine you are starting a hair styling shop as partners. You are considering locating the salon in a downtown department store. Or you might locate in a shopping center mall in an outlying suburb. Discuss with your partner how these locations might compare for each of the following. What other things do you want to know about each location before you choose?
   - Availability of parking
   - Number of women passing by daily
   - Types of customers you will attract

3. Teresa and Judith chose a 3,500-foot loft in a busy shopping center for their first salon. It had dark cubicles and squeaky floors. There were no windows, bathrooms, or sinks. Wiring, fireproofing, and insulation were in poor condition.
   a. What are the main problems with this location?
   b. What are the most likely benefits of this location?

Group Activity

Select a local hair styling shop. Call the manager and find out whether he or she is willing to let you visit the salon as part of your class activity. Explain what the class is about. One team of students will make a personal inspection of the site and get other information from the manager. Find out:

- the location of the business site;
- the size and shape of the retail area; and
- the condition of the site and of the building, and available space for storage.

Another team of students will take a walking tour of the neighborhood and find out:

- types of businesses in the area and how busy they are;
- number and types of people walking nearby;
- amount of automobile traffic; and
- availability and cost of parking space.

Each team will make a 10-minute report to the class on what the team members learned. Allow other students to ask questions about the site and neighborhood. List on the board the strong and weak points of this business location.

UNIT 3

Getting Money to Start

Goal: To help you plan how to get money to start your hair styling shop.

Objective 1: Write a business description for your hair styling shop.

Objective 2: Fill out a form showing how much money you need to borrow to start your hair styling shop.

DINAH GETS MONEY TO START HER HAIR STYLING SHOP

Dinah took stock of her finances. She had about $2,000 in personal savings to invest. She thought about how much more she would need.

Dinah spent a good deal of time figuring out her starting expenses. She planned to work alone. So she did not have to pay out any salary. Dinah made a list of her expenses:

Rent (3 months)	$1,500
Repairs & Remodeling	300
Equipment & Furniture	1,700
Supplies	900
Advertising	350
Other: telephone; license; insurance	250
TOTAL	$5,000

Dinah had about $2,000 of her own savings to invest. That meant she needed to borrow $3,000. She called an officer at the bank about her need to get a loan. The officer said she should bring in her statement of financial need and a description of her planned business as soon as possible. Then the bank would be able to process her loan application.

Dinah began writing her business description. It clearly and briefly described Dinah's plan to offer a full range of hair dressing and hair styling services and to sell high-quality hair care products. She gave an estimate of the number of beauty salons and barbershops in Naperville offering similar services. She pointed out the number of potential customers for these services. And she wrote down the percent of this market that she hoped to attract. It was three to six percent.

Dinah summarized her plan to attract professional women and wives of professionals by providing personal consulting advice.

Getting Money to Start

Choosing a Money Source

Each money source has good and bad points. Having money saved up to help start your own business is wise. It shows you have the ability to handle money. It makes you less dependent on others. Lenders also are more impressed if you have some of your own money to invest.

The danger, though, is in risking all or most of your savings in a new business. Then you will not have any money to fall back on if business is poor. You will be in trouble if an accident or some other problem comes up and you need money fast.

Dinah was aware of the risks. So she invested only part of her savings. She did not want to share her profits with anyone. So she was not interested in having other people invest money. By borrowing from a bank she would pay a high interest rate. But she would avoid hassles over money with people she knew.

Statement of Financial Need

Each dollar amount in Dinah's statement of financial need is an estimate, or best guess, of what she needs. Perhaps she could get by with a smaller amount of start-up money. On the other hand, her estimate for repair and remodeling seems low. Dinah's cousin said he could do some repair work in his spare time. If she spends $100 for materials, for example, only $200 is left to pay her cousin for his time. Most construction and repair workers earn a high hourly rate. So $200 will probably pay for only a few days of work.

Dinah planned to buy just enough equipment to get started; she would get most of it secondhand from other beauty salons. She would buy her furniture at a discount house. She made this list of needed equipment, furnishings, and supplies. For supplies she figured both the supplies she would use and those she would sell to her customers.

Cosmetology equipment--$400. This would include supplies such as curlers, a blow dryer, permanent wave rods, spray bottles, a hot comb, gloves, a neck strip and holders, combs and brushes, clips and rollers, hair pins, and shampoo and comb-out capes.

Furnishings--$1,200. This would include needed furniture such as a styling chair, a shampoo bowl, a dyrer chair, a comb-out station, a booth for styling/tinting, a reception desk, a reception chair, two waiting room chairs, and a coffee table.

Cleaning equipment--$100. This would include supplies such as a broom, mop, and dustpan, a toilet brush, sponges, toilet paper, and soap and cleansers. These three subtotals added up to $1,700, the amount Dinah had put on her expense list for "Equipment & Furniture."

Cosmetology supplies--$900. This would include items such as shampoos, color rinses, special rinses, hair colors, lighteners, conditioners, permanent wave solution, and hair spray. This amount appeared on Dinah's expense list under "Supplies."

Dinah's list of needed equipment and supplies is very long. But a complete list will help Dinah be sure she has enough money to make a good start. Can you think of anything she left out? A cosmetologist always needs towels. Unless Dinah plans to bring a supply from home, she should add towels to her list of needed equipment and increase her financial estimate.

Note that Dinah plans to start with only enough equipment to serve one customer at a time. This is reasonable, because Dinah wants to get started with as little money as possible. She also plans to work alone.

Besides, if Dinah plans her time carefully, one customer can be under the dryer while she works on another customer. Later, as her business grows, Dinah can get more furniture and equipment. Then she might bring in a partner or employee.

Most beauty salons spend one to three percent of their operating budget for advertising. Dinah budgeted over five percent of her total start-up budget for advertising. Her estimate is higher because she wants to do a lot of advertising during her three-month start-up period. This will let people know about her new business. Later she plans to reduce her advertising budget and count on offering good services to keep customers coming back.

Here is Dinah's completed statement of financial need that she used in applying for a bank loan.

STATEMENT OF FINANCIAL NEED			
Starting Expenses		Money on Hand	
Rent (3 months)	$ 1,500		
Repairs and Renovations	300	Cash on Hand	$ 2,000
Equipment and Furniture	1,700	Gifts or Personal Loans	--
Supplies	900	Investment by Others	--
Advertising	350	TOTAL	$ 2,000
Other	250		
TOTAL	$ 5,000		
		TOTAL STARTING EXPENSES	$ 5,000
		TOTAL MONEY ON HAND	2,000
		TOTAL LOAN MONEY NEEDED	3,000

Business Description

Dinah's planning for her business was very thorough. In her business description, she described her ideas for an appealing business image. But something was left out that the lending institution will want to know. This was her plan for locating her business. The business description should state that Dinah plans to locate her beauty salon in a neighborhood location that is:

- close to shopping, parking, and public transportation;
- set up to house a beauty salon with minimum repair and remodeling; and
- in an area where no other beauty salons are in business.

This information will help the bank decide whether Dinah's plan for her small business is sound.

Dinah also included letters from some of her cosmetology instructors, former bosses, and satisfied customers. These letters made a strong case for her competence as a hair stylist. They also described her as determined, businesslike, and quite able to manage her own business.

The business descriptions that banks review in considering loan applications usually don't include personal letters. Dinah hoped this unusual touch would make her application stand out. It was also an example of her ability to solve a problem in a unique way. The letters were brief, from well-respected people in the community, and favorable but not flowery.

Summary

To apply for a loan, you need a business description and a statement of financial need. A beauty shop business description explains the services to be offered and the types of customers the business will attract. It should also highlight things that will make this business

stand out. To write a statement of financial need, you must estimate start-up expenses and money on hand. The difference between these figures shows how much you need to borrow.

Learning Activities

Individual Activities

1. List the advantages and disadvantages of borrowing money from friends to start a hair styling shop.

2. Ronald Peterson applied for a loan to open a beauty shop. His business plan had just one sentence under the heading, "Potential Customers." It stated, "Every citizen in San Francisco who has hair, skin, or nails is a potential customer." What is wrong with this description?

3. What are five things that a person seeking a loan to start a new hair styling shop should include in the business description?

4. What are the problems and benefits of borrowing money as compared to depending on your own capital to start a hair styling shop?

Discussion Questions

1. Why is it important to develop a sound statement of financial need for a new business even if you do not plan to request a loan?

2. Which part of your business description do you feel should get the most attention: the products or services you will provide; the business location; or the potential competition and how you plan to meet it? Explain your answers.

3. What are the chances of getting a lender to help someone start a new hair styling shop?

Group Activity

Three students should take the information from Dinah Simmon's case study and develop a three- to five-page business description suitable for making a loan application. Each of the students will write about one of these topics:

- products and services to be offered and planned business location;
- existing competition and expected share of the market; and
- plans for competing successfully.

UNIT 4

Being in Charge

Goal: To help you learn about managing work and people in a hair styling shop.

Objective 1: Plan how to get workers for all the necessary tasks of your business by hiring employees, contracting for services, or both.

Objective 2: Pick the best person for a specific job in your business.

Objective 3: Describe the types of training you would give employees depending on their jobs and backgrounds.

DINAH CONTRACTS FOR SERVICES

Dinah has now opened her beauty salon: Hair Fair of Naperville. She is building up steady customers. Her "regulars" are also referring new customers to her. Dinah enjoys most of the tasks involved in managing a business. Some days, though, she finds there is too much to do. One night she made a list of necessary tasks.

Work Involving Clients	Other Work
Schedule appointments	Order supplies
Consult with each customer	Clean and maintain salon
"Prep" each customer (shampoo, condition, towel-dry, comb wet hair)	Pay bills
	Keep the books
	Accounting
Basic hair work (trim, treat, color, perm, dry, comb out, spray hair)	Correspondence
	Advertising
Sell hair care products	
Collect payment	

This list helps Dinah see the many ways her time is spent to keep the business going. "To be more organized, I'll continue to use my schedule book for my appointments. But I'll start another schedule book to keep track of my other work."

Being more organized helps. But after a few months Dinah feels she needs more help. She decides to hire people to do the tasks she finds the hardest, or the ones she doesn't enjoy. She contacts a janitorial service to get someone to clean her salon two or three times a week. She also decides she needs an accountant. She doesn't mind paying the regular bills. But it's hard to find time to prepare summary financial statements every month. She also wants help in understanding what the monthly figures mean. That way, she can make her business more successful.

Being in Charge

Developing a list of business tasks helped Dinah sort out the tasks she wanted to do herself from those she wanted someone else to do. In cosmetology, as in most businesses, you can divide the work a number of different ways. But somebody must be responsible for every important task.

Listing Tasks

Dinah's list of tasks is very complete. It covers most of the tasks a new hair styling shop owner might have. As her business develops, other tasks may also need to be done. One example is keeping up to date on hair styles, techniques, and hair care products. Dinah might want to add a task for this. She might call it "my own training" or "self-renewal." Dinah will keep up to date by reading trade magazines and advertising circulars. She will join a professional cosmetologists' association and attend meetings with other cosmetologists. She may take courses to learn new techniques.

Dividing the Work

Dinah is already thinking about hiring people to do some of her business tasks. So Dinah comes up with another idea. "Some of my customers could definitely use help with their nails. If I hired a manicurist, I could offer an extra service and make more money." But the thought of supervising and paying employees does not appeal to Dinah. She prefers to hire people who work independently. Then she can get help just when she needs it on a short-term basis. Or she can contract for services on a regular basis.

Contracting for Services

Dinah contacts a janitorial service. The minimum weekly charge seems too high. So Dinah turns to the newspaper directory of service specialists. Listed there are people who hire themselves out to provide all kinds of services. She contacts and screens several housecleaners. Ms. Lydia Mason has worked several years for an apartment house manager cleaning apartments between rentals. Dinah explains what needs to be done to clean the salon. Lydia agrees to come in Monday night and Thursday morning (Thursday is Dinah's day off).

For an accountant, Dinah talks to several of her customers who are in business for themselves and to other cosmetologists. The recommendation she hears most often is for Mr. Jack Taylor of Taylor and Associates, Public Accountants. Mr. Taylor comes to Dinah's salon the following Thursday to discuss her financial records. Dinah mentions her concerns about staying alert to possible financial losses and knowing when to make a change to improve profits. Mr. Taylor explains the accounting forms and procedures he will use to help Dinah with these issues. Dinah sees very quickly that Mr. Taylor will be very helpful to her.

As her business continues, Dinah may want to hire other types of people. A secretary-receptionist might be hired to handle scheduling appointments and writing correspondence. Then Dinah could free up even more of her time for "prep" and basic hair work. If business expanded greatly, Dinah could, of course, hire co-workers to share hair care tasks with her. But Dinah often says she likes to "work alone," meaning she's happy with just her and her customers. So she may not want to expand her business to the point where she needs other employees doing cosmetology work.

Dinah's Hiring Strategy

Dinah decided on a self-employed housecleaner instead of a janitorial service for two basic reasons: pay and experience. She was able to hire the housecleaner at a lower hourly rate than what the janitorial service charged. Lydia's experience cleaning apartments also seemed to be more like the work needed to clean a beauty salon than the janitorial service employees' work. Probably, Dinah also preferred being able to deal with one person, Lydia. Lydia may be willing to work more or do different jobs from week to week, depending on Dinah's needs.

In selecting an accountant, Dinah's strategy was a bit different than for hiring a housecleaner. She needed high-level, professional service. So she sought recommendations from other professional people whom she knew and trusted. She arranged to meet with Mr. Taylor at her place of business, since he will be working for her. As she had with Lydia, Dinah provided Mr. Taylor with information about the business that he needed to do the job. But she also listened to his recommendations, since he is trained to carry out work that Dinah cannot do for herself. Both Dinah and Mr. Taylor had to be satisfied with each other's professional skill before they agreed to do business.

Training Employees

To what extent will Dinah be responsible for training her two new business associates? With Lydia the housecleaner, Dinah assumes Lydia knows how to use housecleaning equipment and supplies. She will trust Lydia on how to get things clean, for the most part. All Dinah plans to offer in terms of training is to tell Lydia what she wants cleaned, and how often. She hopes that Lydia can work out a detailed list of tasks and follow it herself, without much supervision. Dinah, though, must check Lydia's work carefully and tell her if something is not okay.

In the case of Mr. Taylor, Dinah also had to tell him what he needs to know about her business to take on her accounting tasks. So she

showed him her financial records and forms. She explained the kinds of financial decisions she wants to be able to make. Now it's up to Mr. Taylor to give Dinah summary information and recommendations to help her make those decisions.

Dinah might have hired an employee to do hair care. Then Dinah would probably have been more active in training that person. She would have worked out with each employee:

- the specific tasks to be carried out;
- the materials to use; and
- how to do the work--for example, whether to leave the curlers in for 15 minutes or just for 10 minutes on a first permanent.

Summary

Obtaining needed services takes some effort. Now you know some things to think about in contracting for services. You also know what to consider in hiring and training an employee.

Learning Activities

Individual Activities

1. You want to hire someone to keep the financial records for your hair styling shop. List three personal qualities you will look for in the person you hire. Why is each one important?

2. Hair stylists working in salons owned by someone else receive wages in several different ways. Talk to two or three hair stylists in your area about the wages they receive and how they are paid.

3. You are considering hiring a manicurist to provide services your salon does not now offer. List three possible benefits and three possible problems of hiring this person.

4. Elton hired an elderly woman to assist in his beauty shop. She is a licensed cosmetologist. But she has not practiced for 15 years. List three ways Elton can give her training in creating up-to-date hairstyles.

Discussion Questions

1. Discuss the things you would look for in a beauty salon employee to provide hair care services. Make a list of the skills and personal qualities you agree are most important.

2. The owner of the beauty salon where you work wants to hire another cosmetologist. He asks you and the other cosmetologists to check the job description he wrote. Which of these statements is all right as is? Which need to be changed?

Write an improved statement for each one that should be changed. Be prepared to explain your changes to the owner.

JOB DESCRIPTION

The successful job applicant must have:

a. at least two years' full-time experience in a beauty salon;
b. a four-year college degree; and
c. a pleasing personality.

3. Discuss ways that a hair styling shop owner could find out about people who might want to work in his or her beauty salon. (It may help to think about all the ways you and people you know found out about jobs.)

Group Activity

One student will role play the owner of a beauty salon. Another student will role play a person applying for a job as a cosmetologist at the salon. Other students will observe and comment at the end of the interview.

Role of employer. You are Carolyn Johnson. You have owned your beauty salon for five years. You employ three cosmetologists who do both hair care and manicuring, and a bookkeeper-secretary. One of your cosmetologists is moving to another state. You are interviewing people to find a replacement for her.

Role of applicant. You are Joan Murray. You have just completed a course in beauty school and received your state license. You are looking for a job in a beauty shop in your town. You would like to work four days a week. You prefer a shop that has both male and female customers. You made top grades in beauty school, enjoy people, and are in good physical health.

Instructions. After introductions, carry out a 20-minute interview. Since time is limited, both the employer and the applicant should focus on the following points: (1) what skills this applicant has; (2) how well she meets the job requirements (education, experience, license); and (3) whether she is interested in a long-term career in cosmetology.

UNIT 5

Organizing the Work

Goal: To help you learn how to keep track of the work of a hair styling shop.

Objective 1: Fill out a form listing the tasks and materials needed to serve customers of a hair styling salon.

Objective 2: Develop a daily work schedule for a cosmetologist.

DINAH GETS ORGANIZED

Dinah had two main problems to solve to get everything done in her hair styling shop. She had to develop a clear plan for giving each customer needed hair care services. She also had to schedule her time. Dinah decided that if each person was served as quickly as possible and liked the result, her planning was good. She wanted to end each week feeling, "I got done most of what I planned to do this week." Then she would feel her scheduling was working.

Monday Dinah arrived at work at 7:30 a.m. She checked her message tape and returned Mrs. Rawlston's call. Mrs. Rawlston said she was ready for another trim and perm. Dinah said Wednesday at 9:15 was free; and she filled out a work order form on Mrs. Rawlston. Then she phoned the other person on that day's tape. Mr. Denton made an appointment for a haircut. Dinah filled out the work order form for him. She noted both Mrs. Rawlston's and Mr. Denton's appointments on her daily schedule. Then Wanda Carnine arrived for a hair appointment.

While she is working on Wanda's hair, other customers call for appointments. Dinah fills in the agreed-upon times in her appointment book. She will fill out the work order forms after Wanda leaves. After four more customers, it's time for lunch. Today Dinah has a lunch date with Martin Schwarz, a graphic artist. They discuss ideas for a mail-out flier. "I'll bring the final copy for you to check by Friday at 5:00," Martin promises.

Now, back to the beauty salon. At 1:30, while Dinah is shampooing Miss Carson's hair, Mrs. Rawlston calls back. Her husband has invited her to join him on a business trip to Denver. They must leave tomorrow. Could Dinah squeeze her in today, or early tomorrow morning? Dinah checks her schedule book. She had planned to give herself a permanent at 4:00 and write letters and pay bills until 6:00. She decides to skip her permanent and take care of just the most important bills. Then she can take Mrs. Rawlston from 5:00 to 6:30.

Organizing the Work

In a hair styling business you need to organize your work to get everything done smoothly. This means keeping track of your customers' appointments. It also means organizing the other jobs you'll need to get done--like ordering supplies, paying bills, and studying about new styles and hair care techniques.

Work Schedule

Dinah's schedule on Monday looked like this:

MONDAY APRIL 21

7:30-8:30 a.m.	Arrived at work, checked message tape, returned calls, scheduled appointments.
8:30 a.m.-noon	Worked on customers' hair, answered phone, scheduled appointments.
noon-1:00 p.m.	Lunch with artist to plan mail-out fliers
1:00-6:30 p.m.	Same as 8:30 a.m.-noon; also paid bills.

She has to keep track of every hour (and half-hour) of work carefully, so she uses a daily appointment book like the one below. The page is filled out for Monday morning. Dinah tries to schedule her last appointment at 5 or 5:30 p.m. so she can go home at 6:00 p.m.

WORK SCHEDULE

DATE Monday, April 21

Time	Customer	Service Desired	Comments
8:30	Wanda Carmine	Comb-out	
9:00	Mabel Stewart	Flexiperm	New customer
9:30	" "	"	
10:00	" "	"	
10:30	Martha Fabatz	Cut & set	May be late
11:00	Louise Smith	Shampoo & set	941-2022
11:30	Gertrude Larsen	Haircut ("Mod")	--
Noon	Lunch with Martin Schwarz, artist	Meet at Four Points Restaurant	

Dinah likes the variety of her work. The work week is always busy, but it is never the same from week to week. Since she works for herself, Dinah can switch her schedule around to give special service to customers (like Mrs. Rawlston). She can also allow for things that she wants to do.

Sometimes, of course, Dinah wishes no one would call. Then she can deal with one person at a time! Dinah asks her customers to phone before 8:30 a.m., during the noon hour, or after 4:00 p.m. She usually schedules haircuts for those times or other tasks that won't suffer if she has to answer the phone. Of course, many people call at other times during the day.

Since Dinah serves so many customers, the other work of her business gets squeezed into her "free" time. For example, if she gets behind on paper work, she can catch up on Thursday. Thursday is Dinah's "day off," when she sees no customers. But she usually spends at least three hours at the shop working on the books. She makes lists of needed cleaning or repair jobs and orders supplies.

There are other things Dinah does to keep up when business gets busy. Note the following examples.

- Dinah is right in the middle of a dye job and the phone rings. She answers and says she'll call back in 20 minutes, when she will be finished.
- A former regular customer is back for a visit and asks for a trim. Dinah makes an evening appointment to fit him in.

To keep organized, Dinah needs a clear head. Being kind and patient in the way she deals with people is also important.

Record of Special Services

Dinah fills out cards for customers to whom she gives permanents and other special treatments (like frosting and dying jobs). This helps her know which beauty products she has used and the success she has had. Every customer has different hair. Some hair responds better to one permanent wave solution, other hair to another. Curlers have to be left in longer for some customers than others, too. Her "special services" card looks like this:

Customer_____

Date	Special Services	Comments

Dinah files these cards in alphabetical order by the customer's name. This system helps her keep track of the hair care history of her regular customers. She looks at the card each time she gives a permanent or dyes, tints, or frosts hair. She fills out the card every time she finishes a special job.

Summary

A hair styling shop owner needs to be well organized. As a beauty salon owner, you will spend a great deal of time making and changing appointments. A daily work schedule will help you arrange your time to get everything done. Keeping a record of special services given to regular customers helps you give them the best hair care--time after time.

Learning Activities

Individual Activities

1. Fill out a work schedule for the following customers:
   - Carla Romano, a new customer, has an appointment on Wednesday, May 5, at 9:00 a.m. Carla wants a shampoo, trim, and a special extra-tight permanent. This job will take two hours.
   - Eliza Dayton wants a shampoo, cut, and set on the same day at 11:00 a.m. If Dinah can take her earlier, Eliza wants Dinah to give her a call. This job will take an hour.

WORK SCHEDULE

DATE: _____

Time	Customer	Service Desired	Comments
8:30			
9:00			
9:30			
10:00			
10:30			
11:00			
11:30			
Noon			

2. List two advantages and two disadvantages the owner of a hair styling shop has in scheduling time compared to a beauty salon employee who works fixed hours.

3. List three things Dinah Simmons could do to cut down on phone interruptions while she's working.

4. Melanie, trained as a cosmetologist, lost her hearing in an accident. She wants to open a beauty shop. How can Melanie handle taking appointments, since she cannot answer phone calls?

Discussion Questions

1. "It is easier for a business owner without employees to schedule work and get everything done than it is for one with employees." Discuss ways this statement may be true, and ways that it may not be.

2. Do you think Dinah's schedule for Monday, April 21 is the way you would like to spend your day if you owned a hair styling shop? Why, or why not?

3. Jackie Smith hired Karen to schedule customer appointments for his beauty salon. Jackie notices that Karen is scheduling all the short appointments (like haircuts) in the morning, and all the long appointments (perms, dyes, etc.) in the afternoon. Are there any problems with this?

Group Activity

As a group, list all the tasks that the owner of a hair styling shop with employees has to do. List both usual and unusual tasks. Put them on the board. Decide how often each task should be done: daily, weekly, monthly, etc. Then develop a one-day schedule for the owner that allows time for doing two or more of these tasks plus working on customers.

UNIT 6

Setting Prices

Goal: To help you decide how to set prices for a hair styling shop.

Objective 1: List factors that affect the prices of hair care services.

Objective 2: Pick the best price for a specific hair care service.

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DINAH SETS PRICES

Mr. Weeks, one of Dinah's suppliers, called on Tuesday. A few weeks ago he had sent her a letter about Flexiperm. This is a new permanent wave technique that is very good for dyed or damaged hair. He can now begin filling orders for the Flexiperm permanent wave solution. But he will supply it to only three local hair styling shops. "Would you like to be one of the few salons in Naperville that offers Flexiperm?" he asks.

Dinah says yes. She thinks this new method will be better for some of her customers than the method she has been using. She orders enough Flexiperm solution for about 15 permanents. Dinah thinks to herself, "I'll offer the Flexiperm at a low price at first. This will get more people interested in trying it. It will give me more practice in giving it, too. Then I'll need to raise the price, because the materials cost more. It also takes longer to give this type of permanent."

Dinah decides to do a mailing about Flexiperm to her customers. It will state that for three months the permanent will be offered for a special price of $25.00. This is the same as for a regular permanent. After that the price for a Flexiperm permanent will be $35.00.

Setting Prices

Hair styling shop owners must think about a number of things when setting the price of a service:

- cost of supplies;
- operating expenses;
- profit;
- demand; and
- competitors' prices.

To decide how much to charge for a Flexiperm, Dinah thought about each one of these things.

Cost of Supplies

To give a customer a permanent, Dinah needed to buy various supplies such as shampoo, wave solution, and creme rinse. These costs are called cost of goods sold. She included these costs in her price for her permanents.

Operating Expenses

Dinah had to charge enough for services to cover the expenses of running the salon. She had to pay her lease, keep her equipment in good condition, and pay a monthly water and electricity bill. Dinah figured that she needed to charge at least $5.00 for one hour of service just to pay her operating expenses. If she had had other beauticians whom she had to pay, Dinah would have had to figure their wages into her operating expenses, too.

The amount you add to your price depends, of course, on how long it takes to do the job. For example, for jobs that took two hours, Dinah doubled the amount she needed to include in her price for operating expenses.

Profit

Besides all the costs and expenses she had to pay, Dinah wanted to make some profit on each permanent. From her profit came payment for all the work she did in her hair styling shop--her salary. This included payment for the hair care she gave to customers and the other business management jobs she did like advertising and recordkeeping. From her profit Dinah also paid income taxes and bought new equipment and furniture for her shop. She was also thinking of redecorating.

Demand

Dinah took something else into account in pricing the Flexiperm. She wanted to build up demand for the new service. She wondered how a new service (Flexiperm) that was more expensive could compete with an old service (regular perm) that most customers liked. Dinah decided that a special price was the best way. She decided that for three months Flexiperm would be priced the same as a regular permanent, even though the materials were more costly and it took more time. After customers tried the new perm, they would see for themselves that it was better for their hair. Then they would be more willing to pay more for the better product.

Competition

Dinah couldn't charge too much more than her competition did. She found out what the other salons were asking for a Flexiperm. She made her price the same as one of the salons and a little lower than the

other. If Dinah's shop had been known as the "best in town," she might have been able to charge slightly higher prices.

Summary

Several things affect the price of cosmetology services. Operating expenses, cost of supplies, and profit for the owner must be covered. Customer demand and competition from other salons also affect how much you can charge. For example, if demand for a service is high and competition is low, it is possible to charge more. In this unit we discussed prices of a permanent. Different services have different prices, however. You should charge more for services that take more time, skill, or materials.

Learning Activities

Individual Activities

1. List three reasons why a haircut costs less than a permanent.

2. At Hair Today, the same permanent that costs $25.00 at Dinah's salon is $30.00. At the Graystone Beauty Shop, it costs $20.00. List three things that might explain the range in price.

3. What is the best price for Dinah to charge for a trim: $5.00, $10.00, or $15.00? Explain your choice.

4. Dinah charges her "old regulars" a bit less for haircuts than new customers. In what ways does this practice make sense? In what ways could it be a problem?

5. The price of supplies has gone up 10% since last year. Claire Rainwater decides she must raise her prices or she will have to cut her own and her assistant's salary to avoid going into debt. List two problems in doing each of these things.

Discussion Questions

1. Hernando Jimenez owns a one-person unisex hairstyling salon. He raised prices to fight inflation, and business dropped. What can he do to increase business?

2. Do you agree with Dinah's idea of offering the Flexiperm at the same price as a regular perm? Why, or why not?

3. A hair styling shop owner with employees has to take into account some things in setting prices that a self-employed cosmetologist working alone does not. Discuss these things.

Group Activity

The DeLuxe Beauty School has a high volume of business. No appointments are needed. Hair care is done by students training to be cosmetologists. It is located in the university shopping area. It is the only beauty school in Naperville.

As a group, discuss the following.

1. How would prices at the DeLuxe probably compare to Dinah's prices?

2. Discuss how the DeLuxe would differ from Dinah's beauty salon in each of these things that affect the price of cosmetology services: cost of supplies, operating expenses, profit, demand for service, competition.

3. The DeLuxe charges $15.00 for touching up a dye job. How much should Dinah charge--$10.00, $15.00, or $20.00?

UNIT 7

Advertising and Selling

Goal: To help you learn ways to advertise and sell the services of a hair styling shop.

Objective 1: List ways that a hair styling shop promotes, or "sells," its services.

Objective 2: Pick one way to advertise a hair styling shop.

Objective 3: Design a printed ad for a hair styling shop

DINAH ADVERTISES

Over the summer Dinah moved her shop. She has been busy painting and buying drapes. Her sons did some repairs and made a sign for the outside of the building. The sign says, "Dinah Simmons, Hair Design." Dinah is eager to advertise her new business name and location.

Dinah has an ad in the Yellow Pages. She will also put an ad in the university paper now that a new school year is about to begin. Since she has made changes, though, she wants to do something extra.

Dinah decides to print some fliers to advertise her shop. She has 1,000 printed. Then she arranges to have two high school students put them on the doors of all the homes in the area near her shop.

"My fliers are very classy. I think the women in the Oakglenn neighborhood will like my professional image and the services I offer. If my fliers bring in 10 new regular customers, I'll be happy. If each one of them refers a friend to my shop, I'll be even happier!"

Advertising and Selling

Advertising is important for all businesses. Offering good services in a friendly setting is not enough. If no one knows about you, you won't get customers, and your business may fail. Once you attract people through advertising, you must keep them coming to your shop time after time. This means "selling" your services through your hair styling skills and your friendly service.

When your shop opens, you should plan a large advertising campaign. Later you can do less. You should advertise every month, however, to stay successful. You must follow the steps of good selling every time you see a customer.

How to Spread the Word

Of all the kinds of advertising you can use, the following are probably best for a hair styling shop:

- Yellow Pages ads;
- ads in local newspapers;
- fliers and business cards; and
- word of mouth.

A Yellow Pages ad is a "must" for every hair styling salon. For a small monthly fee you can list your name, address, and phone number. Or you can pay more and include an illustration and a list of your services. The Yellow Pages are used by people who already want to buy. Therefore, they are quite successful in bringing in customers. Yellow Pages ads also last a long time. Once you've designed your ad, it will appear day after day for a full year.

The best time to talk to the telephone company about a Yellow Pages ad is several months before you open your doors. It takes time for a new directory to be printed. Plan ahead so that your ad will appear when your shop opens. Remember, too, that every other salon on the area will also be using the Yellow Pages. Make your ad special so it will stand out from the others.

Another way to advertise is to run ads in the local newspaper. To attract attention, use an illustration and offer a discount once in a while. If you decide to use the newspaper, your ads should appear every week or at least once a month.

You can also mail or pass out fliers to the people you want to be your customers. Fliers are more personal than newspaper or Yellow Pages ads. They often get better results. They are especially successful if you pick carefully the group of people who will receive them. Your "target group" should be people who live nearby and whom you think will want your services. For example, Dinah wanted to attract professional, middle-aged women to her shop. She sent her fliers to an upper-middle-class neighborhood near her shop.

You can also pass out business cards to your friends and post them on bulletin boards at community agencies, grocery stores, colleges, and other places of business.

Word of mouth is your very best way to advertise. This is not something you do directly; it's what your customers do for you. Most hair styling shop owners know that the best advertisement is a beautiful, satisfied customer. In styling hair, your goal is that people will see your haircuts on their friends and say, "You look terrific. Who cut your hair?" People who like the way you treat them in the shop will also spread the word. If these things happen, your advertising is half done for you.

Why Advertise Every Month?

Suppose you have enough regular customers to fill up your calendar. You may think that you no longer need to advertise. This is not true. You should advertise every month to:

- encourage first-time customers to come back;
- remind regular customers that you're "still around";
- attract new customers to replace ones who move away;
- inform people of your new address or new services;
- announce special prices; and
- bring in customers for newly hired stylists.

How to Sell

Good cosmetologists "sell" their services. They show their customers that they understand their needs. Dinah "sells" her business every day.

- She is as polite and helpful as she can be.
- She answers questions and gives advice.
- She makes customers feel special.

Dinah sees eight or more people a day and talks to others on the phone. So she has plenty of chances to "sell" her business.

One survey of hair salon customers found that good treatment in the shop is even more important to customers than a good haircut. Keep this in mind as you deal with customers. Treat each one with special care every day. It's the right thing to do, and it's "good business."

Summary

There are many ways to advertise and "sell" your hair styling salon. Advertising tells people about your shop and gets them to come see you.

Your high-quality hair care and your friendly service are ways to keep your customers once they come in. Good service also makes your customers want to tell their friends about your shop.

Learning Activities

Individual Activities

1. List three things a hair styling salon owner can do to "sell" the business when serving customers.

2. List three things a good printed ad for a beauty shop should include.

3. Why do you think Dinah does not advertise in the university newspaper on a regular basis?

4. How might a Yellow Pages ad and a flier for Dinah's beauty salon differ in: who sees the ad; the amount of detail given about Dinah's services; and costs?

Discussion Questions

1. What is wrong with a "mod" newspaper ad to advertise Dinah's hair salon? What image should Dinah's ad present to appeal to the customers Dinah wants?

2. People buy cosmetology services for many reasons. Make a list of all the reasons you can think of. Then decide on one thing a new beauty salon could offer to appeal to customers' needs for: (a) comfort; (b) convenience; (c) prestige; (d) health; and (e) economy.

Group Activity

Two to four students should design a printed ad for Dinah's beauty salon to run in the local daily newspaper. The ad should include: (a) headline; (b) copy (description of Dinah's services and why her shop is the "best" in the area); (c) illustration (drawing or photo); (d) identification (name, address, and phone number of salon, and logo or identifying symbol). The ad should also have an attractive layout or organization.

A second group of students should judge the ad (poor, good, or very good) and explain their judgments to the class.

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for a hair styling shop.

Objective 1: Fill out a sales slip for a sale in your hair styling shop.

Objective 2: Fill out a daily cash sheet for money received and paid out in one day.

CASH
FINANCES

DINAH KEEPS TRACK OF FINANCES

Dinah just gave Ms. Ramon a permanent. Ms. Ramon bought two large bottles of shampoo. Dinah makes out a sales slip for Ms. Ramon. "You're going to break me!" jokes Ms. Ramon as she writes her check for $58.96.

After Ms. Ramon leaves, Dinah closes for the day. She fills out a daily cash sheet. It shows the money received and paid out today. On her sheet, Dinah notes whether customers paid in cash (Ca) or by check (Ch).

Today Dinah writes checks to: ABC Graphics for $50.00 for printing her fliers; Weeks Beauty Supplies for $250.00 for supplies; and Pen and Ink for $25.00 for a cosmetology book she ordered by mail. Now Dinah counts the money in her petty cash drawer. She keeps $100 there. She also keeps a list in the drawer of the things she buys with petty cash each day. Today she spent $12.50 on coffee for the shop.

Keeping Financial Records

A hair styling shop owner must keep close track of income and expenses. Dinah needs good financial records to know how her business is doing. She also needs them for financial reports required by the government. Two of the forms that Dinah fills out daily are the sales slip and the daily cash sheet.

The Sales Slip

For every customer in your hair styling shop, you will probably want to fill out a sales slip. The sales slip serves as a receipt to the customer. The second copy of the sales slip is for you. It helps you keep track of the money you bring in and the kinds of sales you make every day. This information will tell you what your most popular services are products are.

The sales slip that Dinah completed for Ms. Ramon appears below. Dinah listed the date, the customer's name, and the description of what was bought. She listed prices for each item and added in sales tax on the shampoo Ms. Ramon took home. She doesn't have to charge sales tax on services customers receive in the shop.

SALES SLIP

Date: October 10

Customer: L. Ramon

Description of Sale	Price
Shampoo	$ 7.00
Trim	10.00
Perm	25.00
2 bottles Siltex Shampoo	16.00
Subtotal	$58.00
Sales Tax (6%)	.96
TOTAL	$58.96

The Daily Cash Sheet

The daily cash sheet helps Dinah keep track of the money that comes into and goes out of her shop every day. The one Dinah filled out for October 10 is shown below.

CASH SHEET

OCTOBER 10

CASH RECEIPTS	Cash/Check Received	CASH PAYMENTS	
C. Conners	$ 7.00 Ca	Rent	
		Utilities	
L. Delgado	13.00 Ch	Equipment	
J. Gall	30.00 Ch	Furniture	
J. Tuttle	10.00 Ch	Supplies	$250.00
C. Roman	35.00 Ch	Advertising	50.00
M. Brown	10.00 Ch	Petty Cash	12.50
L. Ramon	58.96 Ch	Other (Book)	25.00
M. Bell (IOU paid)	15.00 Ch		
TOTAL CASH RECEIPTS	$178.96	TOTAL CASH PAYMENTS	$337.50

Dinah took in $178.96 and paid out $337.50 on October 10. Customers paid $163.96 for products and services that day. Mrs. Bell's IOU for $15.00 also arrived and was counted with the cash receipts.

Except for a rare "IOU" like this, Dinah does not give credit. She likes to keep bookkeeping simple. She also needs payment quickly so she can pay her bills. A larger beauty salon might offer its own charge account, especially if it is part of a department store. Some beauty salons accept national charge cards. The credit card company pays the customer's charges and in turn bills them for payment. Credit sales are counted as income when payment is actually received.

On Dinah's daily cash sheet, her income received is about the same from day to day. This is because she usually gives similar services to the same number of customers. But expenditures may differ greatly from one day to another. Weekly expenses for Dinah's hair styling salon show up on Saturday's cash sheet, for example. Expenditures are even higher at the beginning and end of the month.

Dinah spent more on October 10 than she took in. But her cash receipts for the whole month usually are higher than her cash payments.

The daily records of a business are periodically summarized and organized into forms that show how the business is doing, such as a balance sheet and a profit/loss statement. You will learn about profit/loss statements in the next unit. If you do go into business for yourself, get the advice of a bookkeeper or accountant about how to complete a balance sheet.

Summary

Hair styling shops use sales slips to record purchases from customers. They use daily cash sheets to record total cash receipts and payments each day. Daily figures are added up at the end of each month.

Learning Activities

Individual Activities

1. On January 12 Dinah gave Jean Cattaneo a haircut for $8.00. Miss Cattaneo also bought a hairpick for $2.00. Sales tax is 6%. Complete the following sales slip.

SALES SLIP

DATE: _____

CUSTOMER: _____

DESCRIPTION OF SALE	PRICE
_____	_____
_____	_____
_____	_____
SUBTOTAL	_____
TAX (6%)	_____
TOTAL	_____

2. Fill out Dinah's daily cash sheet for May 18. On that day Dinah gave two permanents at $25.00 each, gave three haircuts at $10.00 each, and did four shampoo/sets at $15.00 each. All her customers paid in cash. She spent $180.00 on beauty supplies, $300.00 on rent, and $45.00 on her insurance payment.

CASH SHEET

MAY 18

CASH RECEIPTS		CASH PAYMENTS	
_____		Rent	_____
_____		Utilities	_____
_____		Equipment	_____
_____		Furniture	_____
_____		Supplies	_____
_____		Advertising	_____
_____		Petty Cash	_____
_____		Other	_____
_____			
TOTAL CASH RECEIPTS	_____	TOTAL CASH PAYMENTS	_____

3. Do you think it is a good idea for Dinah to keep $100 in petty cash in a drawer? Why, or why not?

Discussion Questions

1. Name three kinds of financial records or forms Dinah needs to fill out besides the sales slip and daily cash sheet.

2. Discuss the types of credit sales a small cosmetology business could allow. What are the advantages and disadvantages for the small business owner in offering each type?

3. If you ran a beauty salon with four employees, how much petty cash would you keep on hand, if any? Discuss how it should be used and how to prevent theft or misuse of the cash.

4. Mr. and Mrs. Lewis run a small beauty salon in Los Angeles. It is attached to a larger retail shop selling beauty supplies. How would their financial forms differ from the ones Dinah keeps?

Group Activity

In a group, prepare a daily cash sheet for your own hair styling business. Make a list of all the customer jobs you had in a typical day. Remember that you'll have about 16 half-hour time slots in the day. List the amount of money you took in for each job (under Cash Receipts). Under Cash Payments, list all the expenses you had on this day.

CASH SHEET

_____

CASH RECEIPTS	Cash/Check Received	CASH PAYMENTS	
_____		Salaries	_____
_____		Rent	_____
_____		Utilities	_____
_____		Equipment	_____
_____		Furniture	_____
_____		Supplies	_____
_____		Advertising	_____
_____		Petty Cash	_____
_____		Other	_____
TOTAL CASH RECEIPTS	_____	TOTAL CASH PAYMENTS	_____

UNIT 9

Keeping Your Business Successful

Goal: To help you learn how to keep your hair styling shop successful.

Objective 1: Figure out the net profit, profit ratio, and expense ratio for your business.

Objective 2: State one way your business could increase its profits.

Objective 3: State one way your business could change its services to increase sales.

DINAH LOOKS AT HER PROFITS

Dinah's accountant, Jack Taylor, was helping her prepare a profit/loss statement for the past year. He used Dinah's monthly cash sheets and other records. Adding figures for the past 12 months, he found that Dinah's revenues (total sales) were $50,000, her gross profit was $44,000, and her expenses were $16,000. Dinah's net profit, the difference between gross profit and expenses, was $28,000.

Mr. Taylor showed her how to figure out her profit ratio by dividing the net profit by total revenues. "Let's compare this year's profit ratio to last year's," Mr. Taylor suggested. Dinah got out the books. They found that last year Dinah's profit ratio was higher than this year's. Though her net profit dollars were higher, she felt that her profit ratio should also have been as high as last year's.

Dinah took stock. To improve the profit ratio of her business, she could increase sales, raise prices, or reduce expenses. She decided to do all three.

Two ways to increase sales were to sell more services or sell more products. "I don't want to work more hours," Dinah thought. "But I could sell more of my higher-priced services like permanents. Of course, that will require more advertising. I could also sell additional products like hair spray, shampoo, and lipstick. Then I could raise my revenues without working overtime."

Dinah also decided to raise her prices a little. She'd try to reduce her costs by buying the supplies for her shop from a different supplier. She heard that a new beauty supply firm in town had lower prices than the one she was using.

Keeping Your Business Successful

A small business owner must pay close attention to cash flow. Unless revenues equal expenses, the business will show a loss. Not only that, but revenues must exceed expenses. Without profit, a business is not successful.

This unit describes how you can watch your revenues and profits and keep your business successful.

The Profit/Loss Statement

The yearly profit/loss statement is one record you can use to check your business' health. The profit/loss statement lists your yearly revenues, cost of goods sold, and gross profits. Revenues is the total income received from customers. The sum of all costs, expenses, and net profits equals total revenues. Cost of goods sold is the amount you spend for beauty supplies for the shop and "take-home" products sold to customers. Gross profit equals revenues minus cost of goods sold.

On the profit/loss statement, all your operating expenses are also listed. These include all the money you spend to keep the shop open every day (salaries, rent, utilities, advertising, insurance, etc.). In Dinah's case, she included the wages paid to her accountant and house-cleaner under "other."

Net profit is the reward for all your hard work. Net profit covers your salary as the owner and money to expand your business. To figure your net profit, subtract expenses from gross profit. You should also look at your profit ratios and expense ratios. All of these appear on Dinah's profit/loss statement below.

TWO-YEAR PROFIT/LOSS STATEMENT				
	Year 2		Year 3	
	$	%	$	%
Revenues	$42,000	100%	$50,000	100%
Cost of Goods Sold	4,620		6,000	
Gross Profit	$37,380		$44,000	
Expenses				
Rent	6,000		6,000	
Utilities	1,500		2,000	
Advertising	1,160		1,700	
Insurance	500		800	
Other	3,860	31%	5,500	
TOTAL	$13,020		$16,000	%
Net Profit (before Dinah's salary and income taxes)	$24,360	58%	$28,000	%

Profit and Expense Ratios

Dinah's profit ratio in Year 2 was 58%. This means that 58% of Dinah's revenues went to profit. This ratio is quite high for a hair styling shop. However, Dinah had no employees to pay, and her rent was low. She was able to keep her expenses low and her profit high. Dinah figured her profit ratio for Year 2 as follows:

$$\text{profit ratio} = \frac{\text{net profit}}{\text{revenues}} = \frac{\$24,360}{\$42,000} = 58\%$$

The expense ratio is the percentage of revenues spent by the business on operating expenses. Dinah figures her expense ratio for Year 2 as follows:

$$\text{expense ratio} = \frac{\text{expenses}}{\text{revenues}} = \frac{\$13,020}{\$42,000} = 31\%$$

Dinah compared her profit and expense ratios for Years 2 and 3. In Year 3, her profit ratio went down and her expense ratio went up. She felt that her profit ratio should stay about the same every year. To keep it high, she'd have to change her business somehow.

Keeping Your Profits High

To keep profits high, you should try some of the following:

- increase sales of your more profitable products and services;
- add new products and services;
- raise prices;
- reduce costs of goods sold; and
- reduce operating expenses.

Often you must do several things to stay successful. Look at all parts of your profit/loss statement. Study your customers and trends in the beauty field. Then figure out the best changes for your business.

To Grow or Not to Grow

Many small business owners want to show a certain amount of business growth. Most of the larger hair styling shops and chains were once small businesses that expanded. They hired more employees, sold more products and services, and brought in more revenues.

Some small business owners do not want to expand their businesses beyond a certain point. For them, success is based on other things.

For these people, success means the enjoyment and satisfaction of doint and managing their own work. This is hard to measure in dollars and cents. But it is also very important.

Dinah was this type of person. She wanted her profits to rise along with inflation. However, she didn't want to hire any employees or to "get rich quick." "I just like to cut hair. I like to give my customers new hairstyles that bring out their best features. I like to chat with them about their lives and see them go home happier and more attractive. That's what success means to me."

Summary

A small business owner must keep track of cash flow. Comparing revenues to expenses tells you the net profit for your business. Dividing net profit by revenues tells you the profit ratio. Small business owners must keep their profits and profit ratios high and their expenses and expense ratios low to be successful.

Increasing sales, raising prices, and reducing expenses are ways to improve profits. A hair styling shop owner can improve services or add new products and services to increase sales.

Learning Activities

Individual Activities

1. Why do you need to look at the profit ratio as well as the net profit to tell how successful a business is?

2. Look at Dinah's two-year profit/loss statement.
   a. What is her profit ratio for Year 3?
   b. What is her expense ratio for Year 3?
   c. In which year was her net profit higher?
   d. In which year was her profit ratio higher?
   e. Was Year 3 a good year? Explain your answer.

3. Below are equations you can use to get certain figures for your P/L statement. Match the equations with the correct financial term.

_____ Revenues	a. Gross profit - expenses
_____ Net profit	b. Revenues - cost of goods sold
_____ Profit ratio	c. Cost of goods sold + expenses + net profit
_____ Gross profit	d. $\frac{\text{revenues}}{\text{net profit}}$
	e. $\frac{\text{net profit}}{\text{revenues}}$

Discussion Questions

1. List several ways you could raise the profits of a hair styling shop. Be as specific as possible.

2. As the owner of a hair styling shop, what things besides profit would you look at to decide how successful you were?

Group Activity

As a group, develop a plan for increasing sales in Dinah Simmons' Hair Design by adding new services and expanding Dinah's line of retail beauty products. Give specific examples of what she can add. Explain how you think these changes will make her business more successful.

SUMMARY

This module has been about owning a small hair styling shop. People with training in cosmetology can start similar businesses.

To start a small business, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what services to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if customers would come to your shop. Then you have to get money to start. That means showing a banker that your idea is a good one.

Being in charge means dividing the work and hiring good workers. Then you must keep track of jobs to be done and who will do them.

Setting prices means figuring out the lowest price you can charge to meet your expenses and also the highest price you can charge and still be competitive. To do this you need information on your expenses and on your competition's prices.

Advertising is how you get customers. It's an important "investment" in your business. A satisfied customer is the very best advertisement you can have.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

In order to own and operate a successful hair styling shop, you need training in cosmetology, work experience, and the special business management skills we have covered in this module. If you have not had a course in cosmetology, you should take one before deciding to own this kind of business. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning a hair styling shop. However, you will have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own hair styling shop.

QUIZ

1. List three services that most hair styling shops give:
   a. _____
   b. _____
   c. _____

2. Which person would be better at running a hair styling shop?
   ____ a. Joe, who believes every person can be beautiful
   ____ b. Elizabeth, who can't stand odors, noise, or clutter

3. List one special service a hair styling shop could give to senior citizens.
   _____

4. Which of the following is a common legal requirement for a cosmetologist's license?
   a. Graduate from college
   b. Pass a physical exam
   c. Pass a driver's test
   d. Pass an oral exam

5. What is the best way to find out whether a possible beauty shop location has enough storage space?
   a. Personally inspect the site
   b. Take a walking tour of the neighborhood
   c. Talk with the former tenant
   d. Talk to the landlord

6. Which of these neighborhoods is best for locating a beauty salon?
   a. A mix of houses, apartments, and shops
   b. All single-family houses
   c. Small factories and warehouses
   d. All low-cost housing units

7. A business description is most important to help a new beauty salon get:
   a. customers.
   b. advertising.
   c. a loan.
   d. a business license.

8. List two sources of money on hand that may be listed in a statement of financial need.
   a. _____
   b. _____

9. List two ways that a hair styling shop owner can handle the task of keeping the salon clean.
   a. _____
   b. _____

10. What is the best way to choose an accountant for your business?
   a. Pick one from the Yellow Pages
   b. Put an ad in the newspaper
   c. Ask friends in business to recommend someone
   d. Visit the closest accounting firm

11. List two ways you could train a new employee to create hairstyles your shop specializes in.
   a. _____
   b. _____

12. Sometimes a hair styling shop will offer a more costly service at a reduced price in order to build up:
    a. demand.
    b. competition.
    c. profit.
    d. expenses.

13. All Wound Up, a hair salon for men, needs to make at least $7.00 an hour to cover operating expenses. What should it charge for a half-hour trim?
    a. $3.50
    b. $7.00
    c. $15.00
    d. $17.00

14. Mr. Damien wants to advertise a stunning new hairstyle that only he can create. Cost is not a factor. What method should he use to advertise?
    a. Flier
    b. Yellow Pages
    c. Radio

15. "Dinah Simmons, Hair Design, 1790 Franklin, Naperville." What is the most important thing missing from this radio spot?
    a. Business type
    b. Telephone number
    c. Business name
    d. Business location

16. A hair styling shop prepares a sales slip for its:
    a. customers.
    b. accountant.
    c. suppliers.
    d. landlord.

17. A daily cash sheet for a hair styling shop shows your:
    a. daily profit.
    b. outstanding debts.
    c. rent payment.
    d. cash receipts.

18. Taking the difference between gross profit and expenses for the year gives you the:
    a. profit ratio.
    b. expected profit.
    c. net profit.
    d. expense ratio.

19. Increasing sales, raising prices, and reducing expenses are all ways to increase a business':
    a. expense ratio.
    b. revenues
    c. net profit.

20. The best way to increase revenues for a hair styling shop is to:
    a. reduce the utility bill.
    b. eliminate the sale of products.
    c. sell more high-cost services.
    d. lower prices.

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PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components